

EXECUTIVE SUMMARY

This year should be one of transition for the Idaho economy. After a disappointing start, Idaho nonfarm employment is projected to begin expanding in the second half of this year. On an annual basis, Idaho nonfarm employment is expected to be flat this year. It should also be pointed out that Idaho nonfarm employment is anticipated to grow in the remaining three quarters of 2002. Thus, although Idaho nonfarm employment for 2002 shows no growth on an annual basis, there should be growth in most quarters of this year. Idaho personal income is forecast to grow faster this year than last year. The U.S. Department of Commerce estimates that Idaho nominal personal income grew by a meager 3.9% last year—its weakest showing since 1986. Idaho nominal personal income growth should improve to 4.2% this year. Idaho real personal income is forecast to increase 2.7% in 2002, which is a notable improvement over last year's 2.0% real growth. Idaho's economy is expected to accelerate annually after this year, but a return to growth rates experienced in the late 1990s is not anticipated. Idaho nonfarm employment is projected to increase 1.5% in 2003, 1.9% in 2004, and 2.2% in 2005. Idaho personal income growth should also improve over the next years. Specifically, Idaho nominal income is projected to rise 4.2% in 2002, 5.4% in 2003, and 5.9% in both 2004 and 2005. Part of this improvement reflects the anticipated stronger growth for Idaho's average annual wage. Idaho real personal income should grow 2.7% in both 2002 and 2003, 3.2% in 2004, and 3.1% in 2005.

The U.S. economy is sound and should begin picking up speed during the second half of this year. This may come as a surprise given the current stock market woes and revelations of corporate corruption. Indeed, the recent tremble of confidence suggests the widespread popular media coverage of these events have caught consumers' attention. However, in order to get some of their courage back, consumers are directed to "the second page of the newspaper, below the fold." Here, they will find more encouraging news about the economy. For example, industrial production rose for the sixth consecutive month in June 2002. Consumer inflation of 0.1% in July 2002 barely showed on the economic radar screen. Business inventories rose 0.2% in May 2002. The housing sector is on pace for having its best year since the 1980s. This is not to say the economy's future will be without risks or challenges. The biggest drag on the economy in the near future will be the trade deficit. Since 1991, the real net export deficit has bloated from under \$16 billion in 1991 to just under \$500 billion in 2002, or about 4.0% of GDP. In fact, it is approaching the point where it becomes burdensome enough to cause a devaluation of the dollar. This forecast accounts for this by assuming the dollar slides 10% over the next two years. In fact, the dollar and euro could be trading at parity by late summer. But even the dollar devaluation should have a positive impact. It will benefit American companies competing in the global market. In summary, the national economy is projected to move forward during the forecast period. This is because, coming out of the mildest recession on record, the U.S. economy is fundamentally sound and well positioned for growth.

IDAHO ECONOMIC FORECAST

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JULY 2002

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
GDP (BILLIONS)										
Current \$	7,813	8,318	8,782	9,269	9,873	10,208	10,611	11,252	11,967	12,657
% Ch	5.6%	6.5%	5.6%	5.5%	6.5%	3.4%	4.0%	6.0%	6.4%	5.8%
1996 Chain-Weighted	7,813	8,159	8,509	8,857	9,224	9,334	9,572	9,911	10,273	10,589
% Ch	3.6%	4.4%	4.3%	4.1%	4.1%	1.2%	2.5%	3.5%	3.7%	3.1%
PERSONAL INCOME - CURR \$										
Idaho (Millions)	24,174	25,227	27,066	28,538	30,827	32,044	33,374	35,161	37,244	39,440
% Ch	5.7%	4.4%	7.3%	5.4%	8.0%	3.9%	4.2%	5.4%	5.9%	5.9%
Idaho Nonfarm (Millions)	23,298	24,557	26,149	27,542	29,866	31,011	32,227	34,057	36,117	38,331
% Ch	5.6%	5.4%	6.5%	5.3%	8.4%	3.8%	3.9%	5.7%	6.0%	6.1%
U.S. (Billions)	6,547	6,937	7,426	7,777	8,319	8,723	9,028	9,524	10,105	10,683
% Ch	5.6%	6.0%	7.0%	4.7%	7.0%	4.9%	3.5%	5.5%	6.1%	5.7%
PERSONAL INCOME - 1996 \$										
Idaho (Millions)	24,172	24,745	26,268	27,249	28,669	29,256	30,048	30,848	31,824	32,826
% Ch	3.5%	2.4%	6.2%	3.7%	5.2%	2.0%	2.7%	2.7%	3.2%	3.1%
Idaho Nonfarm (Millions)	23,297	24,088	25,379	26,298	27,775	28,313	29,014	29,879	30,861	31,903
% Ch	3.3%	3.4%	5.4%	3.6%	5.6%	1.9%	2.5%	3.0%	3.3%	3.4%
U.S. (Billions)	6,547	6,805	7,208	7,427	7,737	7,965	8,129	8,356	8,634	8,891
% Ch	3.4%	3.9%	5.9%	3.0%	4.2%	2.9%	2.1%	2.8%	3.3%	3.0%
HOUSING STARTS										
Idaho	9,220	8,864	10,114	10,342	11,526	12,257	10,858	10,097	9,832	9,672
% Ch	-1.5%	-3.9%	14.1%	2.3%	11.4%	6.3%	-11.4%	-7.0%	-2.6%	-1.6%
U.S. (Millions)	1,469	1,475	1,621	1,647	1,573	1,603	1,652	1,573	1,588	1,617
% Ch	7.9%	0.4%	9.9%	1.6%	-4.5%	1.9%	3.1%	-4.8%	1.0%	1.8%
TOTAL NONFARM EMPLOYMENT										
Idaho (Thousands)	492.6	508.7	521.5	539.1	559.3	567.9	568.2	576.6	587.7	600.5
% Ch	3.2%	3.3%	2.5%	3.4%	3.7%	1.5%	0.0%	1.5%	1.9%	2.2%
U.S. (Millions)	119.6	122.7	125.9	128.9	131.7	131.9	131.0	133.2	136.0	138.2
% Ch	2.0%	2.6%	2.6%	2.4%	2.2%	0.2%	-0.7%	1.7%	2.1%	1.6%
SELECTED INTEREST RATES										
Federal Funds	5.3%	5.5%	5.4%	5.0%	6.2%	3.9%	1.8%	3.0%	4.7%	5.5%
Bank Prime	8.3%	8.4%	8.4%	8.0%	9.2%	6.9%	4.8%	6.0%	7.7%	8.5%
Existing Home Mortgage	7.7%	7.7%	7.1%	7.3%	8.0%	7.0%	7.1%	7.5%	8.0%	8.1%
INFLATION										
GDP Price Deflator	1.9%	1.9%	1.2%	1.4%	2.3%	2.2%	1.4%	2.4%	2.6%	2.6%
Personal Cons Deflator	2.1%	1.9%	1.1%	1.6%	2.7%	1.9%	1.4%	2.6%	2.7%	2.7%
Consumer Price Index	2.9%	2.3%	1.5%	2.2%	3.4%	2.8%	1.7%	2.8%	2.8%	2.8%

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	2002				2003				2004			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP (BILLIONS)												
Current \$	10,450	10,527	10,643	10,826	11,006	11,168	11,329	11,504	11,696	11,881	12,063	12,230
% Ch	7.5%	3.0%	4.5%	7.0%	6.8%	6.0%	5.9%	6.3%	6.8%	6.5%	6.3%	5.7%
1996 Chain-Weighted	9,489	9,517	9,587	9,694	9,784	9,870	9,951	10,040	10,139	10,232	10,322	10,399
% Ch	6.1%	1.2%	3.0%	4.6%	3.8%	3.5%	3.3%	3.6%	4.0%	3.7%	3.5%	3.0%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	32,785	33,185	33,541	33,986	34,429	34,915	35,430	35,869	36,404	36,961	37,570	38,040
% Ch	6.7%	5.0%	4.4%	5.4%	5.3%	5.8%	6.0%	5.0%	6.1%	6.3%	6.8%	5.1%
Idaho Nonfarm (Millions)	31,625	32,024	32,411	32,847	33,342	33,819	34,284	34,784	35,344	35,841	36,379	36,902
% Ch	4.9%	5.1%	4.9%	5.5%	6.2%	5.8%	5.6%	6.0%	6.6%	5.7%	6.1%	5.9%
U.S. (Billions)	8,886	8,973	9,068	9,186	9,327	9,455	9,592	9,724	9,888	10,032	10,181	10,318
% Ch	5.5%	4.0%	4.3%	5.3%	6.3%	5.6%	6.0%	5.6%	6.9%	5.9%	6.1%	5.5%
PERSONAL INCOME - 1996 \$												
Idaho (Millions)	29,794	29,940	30,130	30,327	30,498	30,735	30,994	31,164	31,429	31,693	31,997	32,177
% Ch	5.6%	2.0%	2.6%	2.6%	2.3%	3.2%	3.4%	2.2%	3.4%	3.4%	3.9%	2.3%
Idaho Nonfarm (Millions)	28,740	28,892	29,115	29,310	29,535	29,771	29,992	30,221	30,514	30,732	30,983	31,214
% Ch	3.9%	2.1%	3.1%	2.7%	3.1%	3.2%	3.0%	3.1%	3.9%	2.9%	3.3%	3.0%
U.S. (Billions)	8,076	8,096	8,146	8,197	8,262	8,323	8,391	8,448	8,537	8,602	8,671	8,728
% Ch	4.5%	1.0%	2.5%	2.6%	3.2%	3.0%	3.3%	2.7%	4.3%	3.1%	3.3%	2.6%
HOUSING STARTS												
Idaho	11,206	11,038	10,695	10,493	10,272	10,118	10,067	9,930	9,878	9,860	9,826	9,763
% Ch	-7.3%	-5.9%	-11.9%	-7.3%	-8.2%	-5.9%	-2.0%	-5.3%	-2.1%	-0.7%	-1.4%	-2.5%
U.S. (Millions)	1,725	1,643	1,621	1,618	1,577	1,569	1,578	1,569	1,565	1,579	1,596	1,613
% Ch	44.9%	-17.9%	-5.1%	-0.9%	-9.8%	-1.9%	2.3%	-2.3%	-1.0%	3.5%	4.5%	4.4%
TOTAL NONFARM EMPLOYMENT												
Idaho (Thousands)	565.7	567.0	569.2	570.8	572.9	575.2	577.8	580.5	583.3	586.2	589.2	592.0
% Ch	-0.4%	0.9%	1.6%	1.2%	1.4%	1.6%	1.9%	1.8%	1.9%	2.0%	2.1%	2.0%
U.S. (Millions)	130.8	130.7	130.9	131.5	132.2	132.7	133.5	134.3	135.0	135.7	136.3	136.9
% Ch	-1.1%	-0.2%	0.6%	1.8%	2.1%	1.7%	2.2%	2.3%	2.2%	2.0%	2.0%	1.6%
SELECTED INTEREST RATES												
Federal Funds	1.7%	1.8%	1.8%	2.0%	2.2%	2.6%	3.1%	3.9%	4.3%	4.6%	4.7%	5.0%
Bank Prime	4.8%	4.8%	4.8%	5.0%	5.2%	5.6%	6.1%	6.9%	7.3%	7.6%	7.7%	8.0%
Existing Home Mortgage	6.9%	6.9%	7.2%	7.2%	7.3%	7.4%	7.6%	7.9%	8.1%	8.0%	7.9%	7.9%
INFLATION												
GDP Price Deflator	1.2%	1.8%	1.5%	2.4%	3.0%	2.4%	2.5%	2.6%	2.7%	2.7%	2.6%	2.6%
Personal Cons Deflator	1.0%	2.9%	1.7%	2.7%	3.0%	2.5%	2.5%	2.8%	2.6%	2.8%	2.8%	2.8%
Consumer Price Index	1.4%	3.4%	2.1%	3.0%	3.1%	2.6%	2.7%	2.9%	2.7%	2.9%	2.9%	2.9%

National Variables Forecast by DRI*WEFA
Forecast Begins the FIRST Quarter of 2002